



An Act Relative to Permitting Cities and Towns to Impose a Local Excise of the Sale of Meals

Currently, Massachusetts levies a state tax of 5% on the sale of prepared food and beverages in Massachusetts. This measure would allow cities and towns, through local option, to levy an additional 1% tax on sales made in their respective city or town. The tax is to be collected by the Department of Revenue, along with the state meals tax, and distributed back to respective cities and towns at least quarterly. The collection and distribution process follows closely the existing local option room occupancy excise and would therefore constitute minimal additional burden on the state agency administering its collection on behalf of cities and towns.

Local Option Sales Tax on Meals

Selected Major Cities

<u>Cities</u>	<u>State</u>	<u>City and/or County</u>	<u>Other*</u>	<u>Total</u>
Denver	2.90%	3.50%	4.00%	10.40%
Washington D.C.	NA	10.00%	0.00%	10.00%
Seattle	6.50%	1.00%	1.80%	9.30%
New Orleans	4.00%	4.00%	1.00%	9.00%
San Francisco	6.00%	2.50%	0.00%	8.50%
Austin	6.25%	1.00%	1.00%	8.25%
New York	4.00%	4.00%	0.00%	8.00%
Atlanta	4.00%	2.00%	1.00%	7.00%
Philadelphia	6.00%	1.00%	0.00%	7.00%
Miami	6.00%	1.00%	0.00%	7.00%
Chicago	5.00%	1.25%	0.00%	6.25%
Boston (PROPOSED)	5.00%	1.00%	0.00%	6.00%

* Transit authority districts or other taxing authorities.

A local revenue source such as this allows for flexibility and diversity in the revenue base of cities and towns with a concentration of businesses providing such services - without further pressuring the property tax. These benefits are especially important in areas of the state with high tourism and travel appeal such as Boston, the Cape & Islands and the Berkshires, where the cost of added services to support this industry cannot be fully recovered through the property taxes of businesses and should not be recovered through residential property taxes.

Boston must remain a competitive employment, tourist and travel market. By seeking only a one percent tax, the City is safely retaining the lowest meals tax of any major city, thus protecting Boston's competitive advantage nationally while limiting the burden locally to a penny on the dollar in additional meals tax. For the state, if all cities and towns adopted the 1% meals tax, Massachusetts would still have one of the lowest meals taxes in New England – tied with Connecticut at 6% in total.

Let's recognize the higher cost to some cities and towns of supporting a service and travel based economy over the old industrial economy for which a tax base centered on property taxes was made.

A fully adopted local option meals tax could raise over \$100 million statewide, and over \$16.5 million in Boston alone, in FY06.